

Message Text

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FOR ARELLANO FROM AMBASSADOR

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SUBJECT: MEXICAN AGRICULTURAL POLICY

REF: STATE 198639

1. SUMMARY. DEBATE AND PRONOUNCEMENTS BY LEADING PRIVATE SECTOR AND GOVERNMENTAL OFFICIALS ON MATTER OF FOREIGN INVESTMENT IN MEXICO'S AGRICULTURE ARE NOT NEW BUT APPEAR TO BE A TRIAL BALLOON. END SUMMARY.

2. WHILE NO HIGH LEVEL GOM OFFICIAL WILL PUBLICLY CALL FOR FOREIGN INVESTMENT IN THE SENSITIVE AGRICULTURAL SECTOR, RECENT STATEMENTS TO THE EFFECT THAT AN INFLUX OF FOREIGN CAPITAL WOULD BE BENEFICIAL APPEAR TO SIGNAL A MORE TOLERANT ATTITUDE TOWARD SUCH ENTERPRISES. AS EARLY AS LAST SUMMER THEN SECRETARY OF AGRARIAN REFORM JORGE ROJO LUGO INDICATED THAT THE GOM WOULD BE RECEPTIVE TO FOREIGN AGRICULTURAL CAPITAL IF IT WERE ASSOCIATED WITH MEXICAN CAPITAL ON ACCEPTABLE TERMS.

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3. EARLIER THIS MONTH THE SECRETARY OF COMMERCE NOTED THAT MEXICO NEEDED MORE AGRICULTURAL PRODUCTION AND SHOULD USE EVERY METHOD THE LAW ALLOWS TO REACH HITHER PRODUCTION LEVELS. HE AND THE SECRETARY OF AGRICULTURE ARE BOTH QUOTED AS SAYING THAT QUOTE IT IS NECESSARY TO COMPLEMENT THE INVESTMENT IN AGRICULTURE WITH FOREIGN CAPITAL END QUOTE. THE PRESIDENT OF THE NATIONAL LIVE-

STOCK CONFEDERATION, A POLITICALLY POWERFUL ORGANIZATION, SAID ACCEPTING CAPITAL FROM OTHER COUNTRIES IS QUOTE NECESSARY AND CONVENIENT BECAUSE EITHER WE DO SO OR WE WILL CONTINUE AS A NATION WHICH HAS TO IMPORT ITS FOOD END QUOTE. HE WENT ON TO SAY THAT THE CAPITAL SHOULD GO TO THE NATIONAL BANK WHICH WOULD CHANNEL IT INTO AGRICULTURAL ENTERPRISES. THIS LATTER STATEMENT IMPLIES THAT HE, FOR ONE, IS NOT CONSIDERING DIRECT INVESTMENT BY FOREIGNERS IN AGRICULTURAL PURSUITS.

4. THIS APPARENT EVOLUTION IN OFFICIAL ATTITUDES SINCE JLP TOOK OFFICE VERY LIKELY REFLECTS A RECOGNITION THAT FOREIGN FIRMS CAN BRING TECHNOLOGY AND EXPERTISE TO A SECTOR THAT IS TYPIFIED BY PRIMITIVE METHODS AND LOW YIELDS OF STAPLE PRODUCTS SUCH AS CORN AND BEANS. MUCH OF THE DEBATE ALSO CENTERS AROUND THE AVAILABILITY OF CAPITAL AND WHETHER MEXICAN CAPITAL ALONE CAN DEVELOP THE SECTOR.

5. FOR NEARLY A YEAR THE AGRARIAN REFORM SECRETARIAT (SRA) HAS BEEN ACTIVELY SEEKING U. S. CONSULTING FIRMS WITH EXPERIENCE IN AGRICULTURAL AND RURAL DEVELOPMENT TO ASSIST THE GOM IN DEVELOPING VAST EXPANSES OF LAND IN THE AREAS OF CAMPECHE AND THE YUCATAN. IN THIS REGARD AN ADVISOR TO THE SECRETARY OF AGRICULTURE PRIVATELY NOTED SEVERAL MONTHS AGO THAT THERE WAS SOME CONSIDERATION OF LIMITED OFFICIAL USE

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GRANTING CONCESSIONS OF SEVERAL YEARS DURATION TO FOREIGN FIRMS (HE CITED DOLE, AS AN EXAMPLE) ALLOWING THEM TO TAKE PROFITS FROM A VENTURE IN RETURN FOR DEVELOPING INFRASTRUCTURE AND SOME TYPE OF AGRIBUSINESS. MOREOVER, LAST FALL OFFICIALS OF FMC CORPORATION VISITED CAMPECHE TO SEE IF THEY WOULD BE INTERESTED IN DOING FEASIBILITY STUDIES FOR THE AREA'S DEVELOPMENT.

6. PRESIDENT LOPEZ PORTILLO HAS STRESSED HIS DESIRE TO HAVE THE AGRICULTURAL SECTOR REVITALIZED BEFORE HIS TERM OF OFFICE EXPIRES. IT IS POSSIBLE THAT THE RECENT PUBLIC PRONOUNCEMENTS HAVE BEEN ORCHESTRATED BY THE PRESIDENT IN AN ATTEMPT TO TEST THE WATERS PRIOR TO HIS STATE OF THE REPUBLIC ADDRESS. THAT ADDRESS MAY HOLD THE KEY TO GOM INTENTIONS IN THIS REGARD.

7. GIVEN YEARS OF MISTRUST OF FOREIGNERS, THE GENERAL BIAS AGAINST FOREIGN INVESTMENT AND THE SENSITIVE NATURE OF THE AGRICULTURAL SECTOR, IT IS LIKELY THAT OPEN ENCOURAGEMENT OF FOREIGN INVOLVEMENT IN FOOD PRODUCTION WILL BE SOME TIME OFF. IT APPEARS, THOUGH, THAT THE GOM RECOGNIZES THE NEED AND IS NOW PREPARING THE PUBLIC TO

ACCEPT A DEGREE OF FOREIGN INVOLVEMENT WHICH PREVIOUS
ADMINISTRATIONS HAD CONSIDERED TABOO.

8. FYI ARTICLE SEVEN OF THE FOREIGN INVESTMENT LAW OF 1973
APPARENTLY PROHIBITS FOREIGN CORPORATE OWNERSHIP OF LAND
AND WATER FOR AGRICULTURAL PURPOSES. LUCEY

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